

NAME.....INDEX NO.....

SCHOOL.....DATE.....

565/1

BUSINESS STUDIES

PAPER 1

KASSU PROPOSED EXAM

SUNSHINE SET

BUSINESS STUDIES

PAPER 1 2021

Time 2hours

Instructions

1. Write your name, index number, school and signature in the spaces given above.
2. Sign and write the data of the examination in the spaces provided above
3. Answer all the questions.(25 questions)
4. All answers should be written in the space provided below each question.
5. Candidates should check the question paper to ascertain that all the questions are printed.
6. All questions should be answered in English.

For official use only.

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Marks															

Question	16	17	18	19	20	21	22	23	24	25
Marks										

TOTAL

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1. Q

2. Q

3. State four characteristics of labour as a factor of production (4mks)

- a) *It is a basic factor of production*
- b) *It cannot be stored*
- c) *It cannot be separated from the labourer*
- d) *It is saleable*
- e) *It is human, with ability to think and capacity to get annoyed*
- f) *Labour is mobile i.e. a labourer can move from one place to another or from one profession to another.*

4. Q

5. Q

6. Define the following terms

a. Scarcity

Scarcity: *refers to a limitation in supply of economic resources in relation to the unlimited wants*

b. Choice

Choice: *refers to selection of the human wants to be satisfied using the scarce resources*

c. Scale of preference

Scale of preference: *refers to a list of unsatisfied wants arranged in order of priority*

d. Opportunity cost

Opportunity cost: *this is the value or alternative foregone in order to satisfy an equally competing want*

7. Highlight four circumstances under which personal selling is appropriate (4mks)

Circumstances under which personal selling is suitable

- a) *When introducing a new product*
- b) *Where demonstration on the use of the product is required*

- c) *When the product is expensive and durable e.g. cars*
- d) *Where the market consists of a few customers who can be easily accessed*
- e) *When the product is designed to meet customers' specifications*
- f) *When the firm can afford to hire sales persons*
- g) *When the customers are concentrated in one area.*

8. Q

9. Q

10. State four benefits associated with the construction of the Standard Gauge Railway (SGR) to the Kenyan economy. (4mks)

- a) *It promotes the development of industries by facilitating the movement of raw materials and distributing finished goods*
- b) *Promotes the development of agriculture by transporting inputs to farmers and produced goods to the market*
- c) *Promotes regional specialisation by transporting the goods produced to the market thereby encouraging the continued production of such goods*
- d) *Facilitates the delocalisation of industries hence creating job opportunities in the counties.*
- e) *Facilitates the movement of workers and business people from one place to another*
- f) *Promotes the movement of people within the country creating peace and understanding*
- g) *Facilitates the disposal of surplus goods hence avoiding wastage*
- h) *Promotes tourism by transporting tourists to tourist attraction sites*

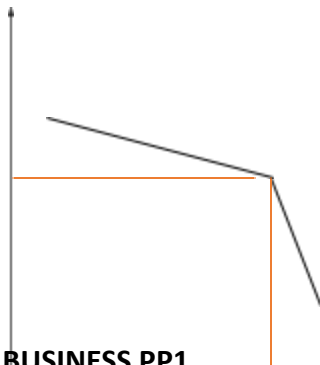
11. Q

12. Q

13. Q

14. By use of a well labeled diagram, illustrate the kinked demand curve in an Oligopolistic market situation

The kinked demand curve



15. Q

16. Q

17. Navakholo enterprises had the following ledger account balances as at 31st December, 2020.

	shs.	
Purchases	3,880	
Sales	3,350	
Purchases returns	150	
Sales returns	160	
Debtors	2,550	
Bank overdraft	3,100	
Wages		800
Cash	960	
Capital	1,750	

Required: Prepare Navakholo enterprises' Trial Balance as at 31st December, 2020..

Navakholo Enterprises

Trial Balance

As at 31st December 2020

	<i>Dr</i>	<i>Cr</i>
	<i>Sh.</i>	<i>Sh.</i>
<i>Purchases</i>	<i>3 880</i>	
<i>Capital</i>		<i>1 750</i>
<i>Bank overdraft</i>		<i>3 100</i>

<i>Sales</i>		<i>3 350</i>
<i>Sales returns</i>	<i>160</i>	
<i>Debtors</i>	<i>2 550</i>	
<i>Purchases returns</i>		<i>150</i>
<i>Wages</i>	<i>800</i>	
<i>Cash in hand</i>	<u><i>960</i></u>	<u> </u>
	<u><i>8,350</i></u>	<u><i>8,350</i></u>

18. Q

19. Given the following books of original entry, identify the source documents used for each. (4mks)

Book of original entry	Source document
(a) Purchases journal	<i>Incoming invoice</i>
(b) Cash book	<i>Receipt/Bank slips</i>
(c) Sales return book	<i>Credit note issued</i>
(d) Sales journal	<i>Outgoing invoice</i>

20. Q

21. Give four non - tax sources of revenue to the government. (4mks)

- *Fines imposed by courts on offenders*
- *Rent and rates paid for using government property*
- *License fees paid by those who want to operate businesses*
- *Dividends and profits earned from government direct investments*
- *Interests earned on loans advanced by the government to firms*

- *Proceeds from sale of government property*
- *Government borrowing*

22. Q

23. Q

24. Q

25. State four characteristics of good money.

(4mks)

Features/ characteristics of Money

For anything to serve as money, it must have the following characteristics:

- ✓ ***Acceptability:*** *The item must be acceptable to everyone.*
- ✓ ***Durability:*** *The material used to make money must be able to last long without getting torn, defaced or losing its shape or texture.*
- ✓ ***Divisibility:*** *Money should be easily divisible into smaller units (denominations) but still maintains its value.*
- ✓ ***Cognizability:*** *The material used to make money should be easily recognized. This helps reduce chances of forgery. It also helps people to differentiate between various denominations.*
- ✓ ***Homogeneity:*** *Money should be made using a similar material so as to appear identical. This eliminates any risk of confusion and forgeries.*
- ✓ ***Portability:*** *- Money should be easy to carry regardless of its value.*
- ✓ ***Stability in value:*** *The value of money should remain fairly stable over a given time period.*
- ✓ ***Liquidity:*** *- it should be easily convertible to other forms of wealth (assets).*
- ✓ ***Scarcity:*** *- It should be limited in supply. If it is abundantly available its value will reduce.*
- ✓ ***Malleability:*** *- the material used to make money should be easy to cast into various shapes.*

✓ ***Not easy to forge-*** money should not be easy to imitate.